

CITY OF ELKHART, KANSAS
Elkhart, Kansas

FINANCIAL STATEMENTS
For the year ended December 31, 2010

CITY OF ELKHART, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2010

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CITY OF ELKHART, KANSAS

FINANCIAL STATEMENTS

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FINANCIAL SECTION

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Statements of Cash Receipts, Expenditures and Changes in Unencumbered

Cash – Actual

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CITY OF ELKHART, KANSAS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Elkhart, Kansas

We have audited the accompanying financial statements of the City of Elkhart, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Elkhart, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Kansas Municipal Audit Guide and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City of Elkhart, Kansas has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Elkhart, Kansas, as of December 31, 2010, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Elkhart, Kansas, as of December 31, 2010, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended on the basis of accounting described in Note 1.

Hay•Rice & Associates, Chartered

May 25, 2011

CITY OF ELKHART, KANSAS

Statement 1

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the year ended December 31, 2010

| <u>Funds</u> | <u>Beginning</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u> | <u>Cash</u> <u>Receipts</u> | <u>Expenditures</u> | <u>Ending</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u> | <u>Add</u> <u>Outstanding</u> <u>Encumbrances</u> <u>& Accounts</u> <u>Payable</u> | <u>Ending</u> <u>Cash</u> <u>Balance</u> |
|--------------------------------------|--------------------------------------------------------------------------|--------------------------------|---------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------|
| Governmental Type Funds: | | | | | | |
| General | \$ 486,531 | \$ 737,738 | \$ 639,281 | \$ 584,988 | \$ 11,883 | \$ 596,871 |
| Special Revenue: | | | | | | |
| Employees' Benefits | 158,122 | 255,704 | 206,557 | 207,269 | 42 | 207,311 |
| Fire Equipment Replacement | 166,242 | 34,045 | 102 | 200,185 | - | 200,185 |
| Special City Streets and Highways | 185,186 | 51,739 | 60,868 | 176,057 | - | 176,057 |
| Special Park and Recreation | 19,224 | 1,620 | 845 | 19,999 | - | 19,999 |
| Pool Repairs Project | - | 61,593 | 61,593 | - | - | - |
| Revenue Fund for Sales Tax | | | | | | |
| Revenue Bonds Series 1994 | 329,142 | 137,448 | 102,814 | 363,776 | - | 363,776 |
| Debt Service: | | | | | | |
| Bond and Interest | 5,654 | 557 | - | 6,211 | - | 6,211 |
| Capital Project: | | | | | | |
| Sewer Capital Projects | (41,221) | 41,221 | - | - | - | - |
| N. St. Road St. Improvements | (24,000) | 35,500 | 71,109 | (59,609) | - | (59,609) |
| Morton Street Improvements | (16,200) | 505,324 | 3,950 | 485,174 | - | 485,174 |
| Water System Project | - | 319,676 | 31,250 | 288,426 | 11,700 | 300,126 |
| Proprietary – Enterprise Type Funds: | | | | | | |
| Water System: | | | | | | |
| Operating | 48,414 | 359,642 | 357,801 | 50,255 | 7,032 | 57,287 |
| Customer Deposit | - | 6,050 | 6,050 | - | 83,779 | 83,779 |
| Equipment Replacement | 121,379 | 30,000 | 75,314 | 76,065 | - | 76,065 |
| Sanitation System: | | | | | | |
| Operating | 46,944 | 206,403 | 210,224 | 43,123 | - | 43,123 |
| Equipment Replacement | 117,796 | - | - | 117,796 | - | 117,796 |
| Sewer System: | | | | | | |
| Operating | 68,064 | 107,255 | 95,782 | 79,537 | 1,794 | 81,331 |
| Equipment Replacement | 11,693 | 6,000 | - | 17,693 | - | 17,693 |
| Fiduciary Type Funds: | | | | | | |
| Whistle Stop Park Bequest | 27,168 | 6,110 | 18,525 | 14,753 | - | 14,753 |
| Safe Park Equipment Fund | 5,855 | - | - | 5,855 | - | 5,855 |
| Piano Bequest Fund | 675 | - | 120 | 555 | - | 555 |
| Animal Foundation Fund | <u>3,876</u> | <u>275</u> | <u>299</u> | <u>3,852</u> | <u>-</u> | <u>3,852</u> |
| Total Reporting Entity | <u>\$1,720,544</u> | <u>\$2,903,900</u> | <u>\$1,942,484</u> | <u>\$2,681,960</u> | <u>\$116,230</u> | <u>\$2,798,190</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 1
(Continued)

SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH

For the year ended December 31, 2010

| | | |
|---------------------------------|----|--------------------|
| Ending Cash Balance | | <u>\$2,798,190</u> |
| Composition of Cash: | | |
| Cash on hand with City Clerk | \$ | 300 |
| Deposits in Local Depositories: | | |
| Checking accounts | | 786,716 |
| Time deposits | | <u>2,011,174</u> |
| Total Reporting Entity | | <u>\$2,798,190</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 2

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)

For the year ended December 31, 2010

| <u>Funds</u> | <u>Certified Budget</u> | <u>Expenditures Chargeable to Current Year</u> | <u>Variance Favorable (Unfavor.)</u> |
|--------------------------------------|-----------------------------|--------------------------------------------------------|----------------------------------------------|
| Governmental Type Funds: | | | |
| General | \$1,005,000 | \$ 639,281 | \$ 365,719 |
| Special Revenue: | | | |
| Employees' Benefits | 336,000 | 206,557 | 129,443 |
| Fire Equipment Replacement | 184,000 | 102 | 183,898 |
| Special City Streets and Highways | 260,000 | 60,868 | 199,132 |
| Special Park and Recreation | 24,000 | 845 | 23,155 |
| Revenue Fund for Sales Tax | | | |
| Revenue Bonds Series 1994 | 485,000 | 102,814 | 382,186 |
| Debt Service: | | | |
| Bond and Interest | 3,500 | - | 3,500 |
| Proprietary – Enterprise Type Funds: | | | |
| Water System: | | | |
| Operating | 385,000 | 357,801 | 27,199 |
| Equipment Replacement | 140,000 | 75,314 | 64,686 |
| Sanitation System: | | | |
| Operating | 243,000 | 210,224 | 32,776 |
| Equipment Replacement | 150,000 | - | 150,000 |
| Sewer System: | | | |
| Operating | 170,000 | 95,782 | 74,218 |
| Equipment Replacement | 67,000 | - | 67,000 |
| | <u>\$3,452,500</u> | <u>\$1,749,588</u> | <u>\$1,702,912</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3

STATEMENTS OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET
For the year ended December 31, 2010

CITY OF ELKHART, KANSAS

Statement 3-1

GENERAL FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u> | <u>Prior</u> <u>Year</u> <u>Actual</u> |
|-------------------------------------|---------------------|------------------|----------------------------------------------------------|----------------------------------------------|
| | <u>Actual</u> | <u>Budget</u> | | |
| <u>Cash Receipts</u> | | | | |
| Taxes: | | | | |
| Ad valorem property tax | \$325,133 | \$326,647 | \$ (1,514) | \$337,010 |
| Back tax collections | 4,605 | 2,641 | 1,964 | 9,659 |
| Motor vehicle tax | 59,067 | 63,563 | (4,496) | 57,443 |
| Recreation vehicle tax | 1,163 | 1,408 | (245) | 1,121 |
| 16/20M vehicle tax | 1,609 | 1,387 | 222 | 1,416 |
| Local sales tax | <u>137,448</u> | <u>125,000</u> | <u>12,448</u> | <u>131,235</u> |
| Total taxes | <u>\$529,025</u> | <u>\$520,646</u> | <u>\$ 8,379</u> | <u>\$537,884</u> |
| Intergovernmental: | | | | |
| Federal government taxes in lieu of | \$ 4,129 | \$ 2,000 | \$ 2,129 | \$ 5,779 |
| Liquor tax | <u>1,620</u> | <u>2,000</u> | <u>(380)</u> | <u>2,001</u> |
| Total intergovernmental | <u>\$ 5,749</u> | <u>\$ 4,000</u> | <u>\$ 1,749</u> | <u>\$ 7,780</u> |
| Licenses and Permits: | | | | |
| Permits | \$ 1,343 | \$ 1,000 | \$ 343 | \$ 989 |
| Licenses | 669 | 1,000 | (331) | 790 |
| Franchise tax | <u>120,979</u> | <u>65,000</u> | <u>55,979</u> | <u>68,251</u> |
| Total licenses and permits | <u>\$122,991</u> | <u>\$ 67,000</u> | <u>\$ 55,991</u> | <u>\$ 70,030</u> |
| Charges for Sales and Services: | | | | |
| Swimming pool and concessions | <u>\$ 22,037</u> | <u>\$ 15,000</u> | <u>\$ 7,037</u> | <u>\$ 22,054</u> |
| Fines, Fees and Forfeitures: | | | | |
| Police | \$ 13,130 | \$ 10,000 | \$ 3,130 | \$ 8,222 |
| Dog pound | <u>6,735</u> | <u>-</u> | <u>6,735</u> | <u>7,339</u> |
| Total fines, fees and forfeitures | <u>\$ 19,865</u> | <u>\$ 10,000</u> | <u>\$ 9,865</u> | <u>\$ 15,561</u> |
| Use of Money and Property: | | | | |
| Interest on time deposits | \$ 3,996 | \$ 20,000 | \$ (16,004) | \$ 2,897 |
| Rentals and royalties | <u>13,396</u> | <u>10,000</u> | <u>3,396</u> | <u>13,213</u> |
| Total use of money and property | <u>\$ 17,392</u> | <u>\$ 30,000</u> | <u>\$ (12,608)</u> | <u>\$ 16,110</u> |
| Miscellaneous: | | | | |
| Other | <u>\$ 20,679</u> | <u>-</u> | <u>\$ 20,679</u> | <u>\$ 7,537</u> |
| Total cash receipts | <u>\$737,738</u> | <u>\$646,646</u> | <u>\$ 91,092</u> | <u>\$676,956</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-1

(Continued)

GENERAL FUNDSTATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance Favorable (Unfavor.)</u> | <u>Prior Year Actual</u> |
|---------------------------------------|---------------------|------------------|----------------------------------------------|----------------------------------|
| | <u>Actual</u> | <u>Budget</u> | | |
| <u>Expenditures Subject to Budget</u> | | | | |
| General Government: | | | | |
| Personal services | \$100,648 | \$100,000 | \$ (648) | \$104,430 |
| Contractual services | 45,413 | 50,000 | 4,587 | 41,863 |
| Commodities | 13,858 | 25,000 | 11,142 | 12,398 |
| Capital outlay | - | 210,000 | 210,000 | 13,148 |
| Total general government | <u>\$159,919</u> | <u>\$385,000</u> | <u>\$225,081</u> | <u>\$171,839</u> |
| Public Safety – Police: | | | | |
| Personal services | \$ 76,908 | \$100,000 | \$ 23,092 | \$ 77,233 |
| Contractual services | 44,872 | 50,000 | 5,128 | 45,673 |
| Commodities | 12,546 | 20,000 | 7,454 | 8,897 |
| Capital outlay | - | 30,000 | 30,000 | - |
| Total public safety – Police | <u>\$134,326</u> | <u>\$200,000</u> | <u>\$ 65,674</u> | <u>\$131,803</u> |
| Public Safety - Fire: | | | | |
| Personal services | \$ 5,823 | \$ 10,000 | \$ 4,177 | \$ 6,384 |
| Contractual services | 18,120 | 20,000 | 1,880 | 19,941 |
| Commodities | 2,642 | 10,000 | 7,358 | 6,858 |
| Capital outlay | - | - | - | 6,889 |
| Total public safety – Fire | <u>\$ 26,585</u> | <u>\$ 40,000</u> | <u>\$ 13,415</u> | <u>\$ 40,072</u> |
| Public Safety – Animal Shelter: | | | | |
| Contractual services | \$ 21,916 | \$ 20,000 | \$ (1,916) | \$ 18,588 |
| Commodities | 3,739 | 5,000 | 1,261 | 3,201 |
| Total public safety – Animal shelter | <u>\$ 25,655</u> | <u>\$ 25,000</u> | <u>\$ (655)</u> | <u>\$ 21,789</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-1
(Continued)

GENERAL FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance Favorable (Unfavor.)</u> | <u>Prior Year Actual</u> |
|---------------------------------------------------|---------------------|--------------------|----------------------------------------------|----------------------------------|
| | <u>Actual</u> | <u>Budget</u> | | |
| <u>Expenditures Subject to Budget</u> (Continued) | | | | |
| Highways and Streets: | | | | |
| Personal services | \$ 84,701 | \$ 100,000 | \$ 15,299 | \$ 83,257 |
| Contractual services | 29,945 | 50,000 | 20,055 | 19,842 |
| Commodities | 25,703 | 50,000 | 24,297 | 26,649 |
| Capital outlay | <u>4,252</u> | <u>-</u> | <u>(4,252)</u> | <u>7,078</u> |
| Total highways and streets | <u>\$144,601</u> | <u>\$ 200,000</u> | <u>\$ 55,399</u> | <u>\$136,826</u> |
| Parks: | | | | |
| Personal services | \$ 35,852 | \$ 35,000 | \$ (852) | \$ 33,063 |
| Contractual services | 18,633 | 15,000 | (3,633) | 18,050 |
| Commodities | <u>7,323</u> | <u>15,000</u> | <u>7,677</u> | <u>5,926</u> |
| Total parks | <u>\$ 61,808</u> | <u>\$ 65,000</u> | <u>\$ 3,192</u> | <u>\$ 57,039</u> |
| Swimming Pool: | | | | |
| Personal services | \$ 21,709 | \$ 25,000 | \$ 3,291 | \$ 16,889 |
| Contractual services | 12,677 | 20,000 | 7,323 | 11,814 |
| Commodities | <u>13,876</u> | <u>20,000</u> | <u>6,124</u> | <u>13,456</u> |
| Total swimming pool | <u>\$ 48,262</u> | <u>\$ 65,000</u> | <u>\$ 16,738</u> | <u>\$ 42,159</u> |
| Street Lighting: | | | | |
| Contractual services | <u>\$ 38,125</u> | <u>\$ 25,000</u> | <u>\$ (13,125)</u> | <u>\$ 24,246</u> |
| Total expenditures subject to budget | <u>\$639,281</u> | <u>\$1,005,000</u> | <u>\$365,719</u> | <u>\$625,773</u> |
| Receipts over (under) expenditures | \$ 98,457 | | | \$ 51,183 |
| Unencumbered Cash, Beginning | <u>486,531</u> | | | <u>435,348</u> |
| Unencumbered Cash, Ending | <u>\$584,988</u> | | | <u>\$486,531</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-2

EMPLOYEES' BENEFITS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance</u> | <u>Prior</u> |
|---------------------------------------|---------------------|------------------|-------------------|------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Favorable</u> | <u>Year</u> |
| | | | <u>(Unfavor.)</u> | <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Taxes: | | | | |
| Ad valorem property tax | \$213,853 | \$214,800 | \$ (947) | \$198,152 |
| Back tax collections | 2,462 | 183 | 2,279 | 4,868 |
| Motor vehicle tax | 35,002 | 37,373 | (2,371) | 33,586 |
| 16/20M vehicle tax | 982 | 816 | 166 | 717 |
| Recreation vehicle tax | 689 | 828 | (139) | 661 |
| Total taxes | \$252,988 | \$254,000 | \$ (1,012) | \$237,984 |
| Intergovernmental: | | | | |
| Federal government taxes in lieu of | 2,716 | - | 2,716 | 3,432 |
| Miscellaneous: | | | | |
| Other | - | - | - | 101 |
| Total cash receipts | <u>\$255,704</u> | <u>\$254,000</u> | <u>\$ 1,704</u> | <u>\$241,517</u> |
| <u>Expenditures Subject to Budget</u> | | | | |
| Employees' Benefits: | | | | |
| Social Security | \$ 24,227 | \$ 30,000 | \$ 5,773 | \$ 23,698 |
| KPERS | 19,441 | 25,000 | 5,559 | 16,527 |
| Unemployment | 7,069 | 1,000 | (6,069) | 315 |
| Insurance | <u>155,820</u> | <u>280,000</u> | <u>124,180</u> | <u>153,687</u> |
| Total expenditures subject to budget | <u>\$206,557</u> | <u>\$336,000</u> | <u>\$129,443</u> | <u>\$194,227</u> |
| Receipts over (under) expenditures | \$ 49,147 | | | \$ 47,290 |
| Unencumbered Cash, Beginning | <u>158,122</u> | | | <u>110,832</u> |
| Unencumbered Cash, Ending | <u>\$207,269</u> | | | <u>\$158,122</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-3

FIRE EQUIPMENT REPLACEMENT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance</u> | <u>Prior</u> |
|---------------------------------------|---------------------|-------------------|-------------------|------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Favorable</u> | <u>Year</u> |
| | | | <u>(Unfavor.)</u> | <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Taxes: | | | | |
| Ad valorem property tax | \$ 28,249 | \$ 28,400 | \$ (151) | \$ 27,376 |
| Back tax collections | 362 | 210 | 152 | 747 |
| Motor vehicle tax | 4,843 | 5,163 | (320) | 4,846 |
| 16/20M vehicle tax | 137 | 113 | 24 | 116 |
| Recreation vehicle tax | <u>95</u> | <u>114</u> | <u>(19)</u> | <u>94</u> |
| Total taxes | \$ 33,686 | \$ 34,000 | \$ (314) | \$ 33,179 |
| Intergovernmental: | | | | |
| Federal government taxes in lieu of | <u>359</u> | <u>-</u> | <u>359</u> | <u>475</u> |
| Total cash receipts | \$ <u>34,045</u> | \$ <u>34,000</u> | \$ <u>45</u> | \$ <u>33,654</u> |
| <u>Expenditures Subject to Budget</u> | | | | |
| Public Safety – Fire: | | | | |
| Contractual services | \$ 102 | \$ 5,000 | \$ 4,898 | \$ 117 |
| Capital outlay | <u>-</u> | <u>179,000</u> | <u>179,000</u> | <u>-</u> |
| Total expenditures subject to budget | \$ <u>102</u> | \$ <u>184,000</u> | \$ <u>183,898</u> | \$ <u>117</u> |
| Receipts over (under) expenditures | \$ 33,943 | | | \$ 33,537 |
| Unencumbered Cash, Beginning | <u>166,242</u> | | | <u>132,705</u> |
| Unencumbered Cash, Ending | <u>\$200,185</u> | | | <u>\$166,242</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-4

SPECIAL CITY STREETS AND HIGHWAYS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | | <u>Prior</u> |
|---------------------------------------|---------------------|-------------------|-------------------------------------------------------------|------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u> | <u>Year</u> <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Intergovernmental: | | | | |
| Gasoline tax | \$ <u>51,739</u> | \$ <u>55,000</u> | \$ <u>(3,261)</u> | \$ <u>48,402</u> |
| <u>Expenditures Subject to Budget</u> | | | | |
| Highways and Streets: | | | | |
| Contractual services | \$ 32,999 | \$100,000 | \$ 67,001 | \$ 838 |
| Commodities | - | 10,000 | 10,000 | - |
| Capital outlay | <u>27,869</u> | <u>150,000</u> | <u>122,131</u> | <u>57,358</u> |
| Total expenditures subject to budget | \$ <u>60,868</u> | \$ <u>260,000</u> | \$ <u>199,132</u> | \$ <u>58,196</u> |
| Receipts over (under) expenditures | \$ (9,129) | | | \$ (9,794) |
| Unencumbered Cash, Beginning | <u>185,186</u> | | | <u>194,980</u> |
| Unencumbered Cash, Ending | <u>\$176,057</u> | | | <u>\$185,186</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-5

SPECIAL PARK AND RECREATION FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | | <u>Prior</u> |
|---------------------------------------|---------------------|------------------|----------------------------------------------------------|------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u> | <u>Year</u> <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Intergovernmental: | | | | |
| Liquor tax | \$ 1,620 | \$ <u>2,000</u> | \$ <u>(380)</u> | \$ 2,001 |
| <u>Expenditures Subject to Budget</u> | | | | |
| Parks and Recreation: | | | | |
| Contractual services | <u>845</u> | \$ <u>24,000</u> | \$ <u>23,155</u> | <u>3,579</u> |
| Receipts over (under) expenditures | \$ 775 | | | \$ (1,578) |
| Unencumbered Cash, Beginning | <u>19,224</u> | | | <u>20,802</u> |
| Unencumbered Cash, Ending | \$ <u>19,999</u> | | | \$ <u>19,224</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-6

BOND AND INTEREST FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | | <u>Prior</u> |
|---------------------------------------|---------------------|---------------|----------------------------------------------------------|------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u> | <u>Year</u> <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Taxes: | | | | |
| Motor vehicle tax | \$ - | - | \$ - | \$ 305 |
| Recreational vehicle tax | - | - | - | 5 |
| 16/20M vehicle tax | - | - | - | 31 |
| Back tax collections | 557 | - | 557 | 78 |
| Miscellaneous: | | | | |
| Special assessments | - | - | - | 1,954 |
| Total cash receipts | \$ 557 | - | \$ 557 | \$ 2,373 |
| <u>Expenditures Subject to Budget</u> | | | | |
| Miscellaneous | - | \$ 3,500 | \$ 3,500 | - |
| Receipts over (under) expenditures | \$ 557 | | | \$ 2,373 |
| Unencumbered Cash, Beginning | 5,654 | | | 3,281 |
| Unencumbered Cash, Ending | \$ 6,211 | | | \$ 5,654 |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-7

REVENUE FUND FOR SALES TAX
REVENUE BONDS SERIES 1994
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u> | <u>Prior</u> <u>Year</u> <u>Actual</u> |
|---------------------------------------|---------------------|------------------|----------------------------------------------------------|----------------------------------------------|
| | <u>Actual</u> | <u>Budget</u> | | |
| <u>Cash Receipts</u> | | | | |
| Sales tax | \$137,448 | <u>\$125,000</u> | \$ <u>12,448</u> | \$131,235 |
| <u>Expenditures Subject to Budget</u> | | | | |
| Transfers | <u>102,814</u> | <u>\$485,000</u> | <u>\$382,186</u> | <u>31,361</u> |
| Receipts over (under) expenditures | \$ 34,634 | | | \$ 99,874 |
| Unencumbered Cash, Beginning | <u>329,142</u> | | | <u>229,268</u> |
| Unencumbered Cash, Ending | <u>\$363,776</u> | | | <u>\$329,142</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-8

WATER SYSTEM FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance</u> | <u>Prior</u> |
|---------------------------------------|---------------------|------------------|--------------------|------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Favorable</u> | <u>Year</u> |
| | | | <u>(Unfavor.)</u> | <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Charges for Sales and Services: | | | | |
| Water sales to customers | \$346,217 | \$375,000 | \$ (28,783) | \$346,284 |
| Penalties and forfeitures | 9,203 | 7,500 | 1,703 | 8,093 |
| Taps | 2,285 | 1,500 | 785 | 1,452 |
| Other | <u>1,604</u> | <u>-</u> | <u>1,604</u> | <u>1,869</u> |
| Total charges for sales & services | \$359,309 | \$384,000 | \$ (24,691) | \$357,698 |
| Use of Money and Property: | | | | |
| Interest on time deposits | <u>333</u> | <u>1,000</u> | <u>(667)</u> | <u>88</u> |
| Total cash receipts | <u>\$359,642</u> | <u>\$385,000</u> | <u>\$ (25,358)</u> | <u>\$357,786</u> |
| <u>Expenditures Subject to Budget</u> | | | | |
| Personal services | \$186,984 | \$200,000 | \$ 13,016 | \$175,087 |
| Contractual services | 106,245 | 125,000 | 18,755 | 95,170 |
| Commodities | 29,883 | 50,000 | 20,117 | 25,189 |
| Capital outlay | 4,689 | - | (4,689) | 39,802 |
| Transfers out | <u>30,000</u> | <u>10,000</u> | <u>(20,000)</u> | <u>-</u> |
| Total expenditures subject to budget | <u>\$357,801</u> | <u>\$385,000</u> | <u>\$ 27,199</u> | <u>\$335,248</u> |
| Receipts over (under) expenditures | \$ 1,841 | | | \$ 22,538 |
| Unencumbered Cash, Beginning | <u>48,414</u> | | | <u>25,876</u> |
| Unencumbered Cash, Ending | <u>\$ 50,255</u> | | | <u>\$ 48,414</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-9

WATER EQUIPMENT REPLACEMENT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | | <u>Prior</u> |
|---------------------------------------|---------------------|-------------------|----------------------------------------------------------|------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u> | <u>Year</u> <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Debt proceeds | \$ - | \$ - | \$ - | \$ 37,100 |
| Transfers in | <u>30,000</u> | <u>10,000</u> | <u>20,000</u> | <u>30,000</u> |
| Total cash receipts | \$ 30,000 | \$ <u>10,000</u> | \$ <u>20,000</u> | \$ 67,100 |
| <u>Expenditures Subject to Budget</u> | | | | |
| Capital outlay | <u>75,314</u> | \$ <u>140,000</u> | \$ <u>64,686</u> | <u>47,051</u> |
| Receipts over (under) expenditures | \$ (45,314) | | | \$ 20,049 |
| Unencumbered Cash, Beginning | <u>121,379</u> | | | <u>101,330</u> |
| Unencumbered Cash, Ending | \$ <u>76,065</u> | | | \$ <u>121,379</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-10

SANITATION SERVICE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance</u> | <u>Prior</u> |
|---------------------------------------|---------------------|------------------|-------------------|------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Favorable</u> | <u>Year</u> |
| | | | <u>(Unfavor.)</u> | <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Charges for Sales and Services: | | | | |
| Service charges | \$206,379 | \$205,000 | \$ 1,379 | \$208,478 |
| Use of Money and Property: | | | | |
| Interest on time deposits | <u>24</u> | <u>150</u> | <u>(126)</u> | <u>6</u> |
| Total cash receipts | <u>\$206,403</u> | <u>\$205,150</u> | <u>\$ 1,253</u> | <u>\$208,484</u> |
| <u>Expenditures Subject to Budget</u> | | | | |
| Contractual services | \$210,191 | \$220,000 | \$ 9,809 | \$210,068 |
| Commodities | 33 | - | (33) | 33 |
| Transfers out | <u>-</u> | <u>23,000</u> | <u>23,000</u> | <u>-</u> |
| Total expenditures subject to budget | <u>\$210,224</u> | <u>\$243,000</u> | <u>\$ 32,776</u> | <u>\$210,101</u> |
| Receipts over (under) expenditures | \$ (3,821) | | | \$ (1,617) |
| Unencumbered Cash, Beginning | <u>46,944</u> | | | <u>48,561</u> |
| Unencumbered Cash, Ending | <u>\$ 43,123</u> | | | <u>\$ 46,944</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-11

SANITATION EQUIPMENT REPLACEMENT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | | <u>Prior Year Actual</u> |
|---------------------------------------|---------------------|-------------------|----------------------------------------------|----------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance Favorable (Unfavor.)</u> | |
| <u>Cash Receipts</u> | | | | |
| Taxes: | | | | |
| Transfers in | - | \$ <u>23,000</u> | \$ <u>(23,000)</u> | - |
| <u>Expenditures Subject to Budget</u> | | | | |
| Capital outlay | <u>-</u> | \$ <u>150,000</u> | \$ <u>150,000</u> | <u>-</u> |
| Receipts over (under) expenditures | \$ - | | | \$ - |
| Unencumbered Cash, Beginning | <u>117,796</u> | | | <u>117,796</u> |
| Unencumbered Cash, Ending | <u>\$117,796</u> | | | <u>\$117,796</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-12

SEWER SYSTEM FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | <u>Variance</u> | <u>Prior</u> |
|---------------------------------------|---------------------|------------------|-------------------|------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Favorable</u> | <u>Year</u> |
| | | | <u>(Unfavor.)</u> | <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Charges for Sales and Services: | | | | |
| Sewer service charge | \$106,729 | \$100,000 | \$ 6,729 | \$106,212 |
| Use of Money and Property: | | | | |
| Interest on time deposits | 16 | 100 | (84) | 4 |
| Miscellaneous: | | | | |
| Other | <u>510</u> | <u>-</u> | <u>510</u> | <u>1,605</u> |
| Total cash receipts | <u>\$107,255</u> | <u>\$100,100</u> | <u>\$ 7,155</u> | <u>\$107,821</u> |
| <u>Expenditures Subject to Budget</u> | | | | |
| Personal services | \$ 61,625 | \$ 70,000 | \$ 8,375 | \$ 65,409 |
| Contractual services | 14,518 | 25,000 | 10,482 | 12,432 |
| Commodities | 6,940 | 10,000 | 3,060 | 4,586 |
| Capital outlay | 6,699 | 10,000 | 3,301 | - |
| Transfers out | <u>6,000</u> | <u>55,000</u> | <u>49,000</u> | <u>18,504</u> |
| Total expenditures subject to budget | <u>\$ 95,782</u> | <u>\$170,000</u> | <u>\$ 74,218</u> | <u>\$100,931</u> |
| Receipts over (under) expenditures | \$ 11,473 | | | \$ 6,890 |
| Unencumbered Cash, Beginning | <u>68,064</u> | | | <u>61,174</u> |
| Unencumbered Cash, Ending | <u>\$ 79,537</u> | | | <u>\$ 68,064</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-13

SEWER EQUIPMENT REPLACEMENT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Current Year</u> | | | <u>Prior</u> |
|---------------------------------------|---------------------|------------------|----------------------------------------------------------|------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u> | <u>Year</u> <u>Actual</u> |
| <u>Cash Receipts</u> | | | | |
| Transfers in | \$ 6,000 | \$ <u>55,000</u> | \$ <u>(49,000)</u> | \$ 6,000 |
| <u>Expenditures Subject to Budget</u> | | | | |
| Capital outlay | <u>-</u> | \$ <u>67,000</u> | \$ <u>67,000</u> | <u>1,498</u> |
| Receipts over (under) expenditures | \$ 6,000 | | | \$ 4,502 |
| Unencumbered Cash, Beginning | <u>11,693</u> | | | <u>7,191</u> |
| Unencumbered Cash, Ending | \$ <u>17,693</u> | | | \$ <u>11,693</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

STATEMENTS OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010

CITY OF ELKHART, KANSAS

Statement 3-14

WATER CUSTOMER DEPOSITS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------------------------|-------------------|--------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Customer deposits received | \$ 6,050 | \$ 5,440 |
| <u>Expenditures</u> | | |
| Customer deposits returned, forfeited or forfeitable | <u>6,050</u> | <u>5,440</u> |
| Receipts over (under) expenditures | - | - |
| Unencumbered Cash, Beginning | <u>-</u> | <u>-</u> |
| Unencumbered Cash, Ending | <u>-</u> | <u>-</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-15

WHISTLE STOP PARK BEQUEST FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|------------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Donations | \$ 6,110 | \$ 4,350 |
| WSP Lighting Project | <u>-</u> | <u>30</u> |
| Total cash receipts | <u>\$ 6,110</u> | <u>\$ 4,380</u> |
| <u>Expenditures</u> | | |
| Contractual services | \$ 2,138 | \$ 879 |
| Capital outlay | 4,951 | 2,821 |
| Commodities | <u>11,436</u> | <u>7,200</u> |
| Total expenditures | <u>\$ 18,525</u> | <u>\$ 10,900</u> |
| Receipts over (under) expenditures | \$ (12,415) | \$ (6,520) |
| Unencumbered Cash, Beginning | <u>27,168</u> | <u>33,688</u> |
| Unencumbered Cash, Ending | <u>\$ 14,753</u> | <u>\$ 27,168</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-16

SAFE PARK EQUIPMENT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|-----------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | - | - |
| <u>Expenditures</u> | <u>-</u> | <u>-</u> |
| Receipts over (under) expenditures | \$ - | \$ - |
| Unencumbered Cash, Beginning | <u>5,855</u> | <u>5,855</u> |
| Unencumbered Cash, Ending | <u>\$ 5,855</u> | <u>\$ 5,855</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-17

PIANO BEQUEST FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|---------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | \$ - | - |
| <u>Expenditures</u> | | |
| Contractual services | <u>120</u> | <u>-</u> |
| Receipts over (under) expenditures | \$ (120) | \$ - |
| Unencumbered Cash, Beginning | <u>675</u> | <u>675</u> |
| Unencumbered Cash, Ending | \$ <u>555</u> | \$ <u>675</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-18

ANIMAL FOUNDATION FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|-----------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Donations | \$ 275 | - |
| <u>Expenditures</u> | | |
| Commodities | <u>299</u> | <u>-</u> |
| Receipts over (under) expenditures | \$ (24) | \$ - |
| Unencumbered Cash, Beginning | <u>3,876</u> | <u>3,876</u> |
| Unencumbered Cash, Ending | \$ <u>3,852</u> | \$ <u>3,876</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-19

SEWER CAPITAL PROJECTS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|--------------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Special assessments | \$ - | \$ 39,531 |
| Transfers | <u>41,221</u> | <u>12,504</u> |
| Total cash receipts | \$ 41,221 | \$ 52,035 |
| <u>Expenditures</u> | | |
| Capital outlay | <u>-</u> | <u>2,400</u> |
| Receipts over (under) expenditures | \$ 41,221 | \$ 49,635 |
| Unencumbered Cash, Beginning | <u>(41,221)</u> | <u>(90,856)</u> |
| Unencumbered Cash, Ending | <u>-</u> | \$ <u>(41,221)</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-20

STREETSCAPE DEVELOPMENT GRANT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|-----------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Transfers | - | \$ 7,994 |
| Reimbursements | <u>-</u> | <u>28,132</u> |
| Total cash receipts | - | \$ 36,126 |
| <u>Expenditures</u> | <u>-</u> | <u>-</u> |
| Receipts over (under) expenditures | - | \$ 36,126 |
| Unencumbered Cash, Beginning | <u>-</u> | <u>(36,126)</u> |
| Unencumbered Cash, Ending | <u><u>-</u></u> | <u><u>-</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-21

N. ST. ROAD ST. IMPROVEMENTS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|--------------------|--------------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Reimbursements | \$ <u>35,500</u> | <u>-</u> |
| <u>Expenditures</u> | | |
| Contractual services | \$ 109 | \$ 24,000 |
| Commodities | <u>71,000</u> | <u>-</u> |
| Total expenditures | \$ <u>71,109</u> | \$ <u>24,000</u> |
| Receipts over (under) expenditures | \$ (35,609) | \$ (24,000) |
| Unencumbered Cash, Beginning | <u>(24,000)</u> | <u>-</u> |
| Unencumbered Cash, Ending | \$ <u>(59,609)</u> | \$ <u>(24,000)</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-22

MORTON STREET IMPROVEMENTS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|--------------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Bond sale | <u>\$505,324</u> | <u>-</u> |
| <u>Expenditures</u> | | |
| Contractual services | \$ 3,721 | \$ 16,200 |
| Commodities | <u>229</u> | <u>-</u> |
| Total expenditures | <u>\$ 3,950</u> | <u>\$ 16,200</u> |
| Receipts over (under) expenditures | \$501,374 | \$ (16,200) |
| Unencumbered Cash, Beginning | <u>(16,200)</u> | <u>-</u> |
| Unencumbered Cash, Ending | <u>\$485,174</u> | <u>\$ (16,200)</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-23

SKATEBOARD PARK PROJECT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|-----------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Donations | - | \$ 10,350 |
| Transfers | <u>-</u> | <u>23,367</u> |
| Total cash receipts | - | \$ 33,717 |
| <u>Expenditures</u> | | |
| Capital outlay | <u>-</u> | <u>33,717</u> |
| Receipts over (under) expenditures | - | - |
| Unencumbered Cash, Beginning | <u>-</u> | <u>-</u> |
| Unencumbered Cash, Ending | <u><u>-</u></u> | <u><u>-</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-24

POOL REPAIRS PROJECT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|--------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Transfers | \$ 61,593 | - |
| <u>Expenditures</u> | | |
| Capital outlay | <u>61,593</u> | <u>-</u> |
| Receipts over (under) expenditures | - | - |
| Unencumbered Cash, Beginning | <u>-</u> | <u>-</u> |
| Unencumbered Cash, Ending | <u>-</u> | <u>-</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

Statement 3-25

WATER SYSTEM PROJECT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

| | <u>Year Ended</u> | |
|------------------------------------|-------------------|-----------------|
| | <u>Current</u> | <u>Prior</u> |
| <u>Cash Receipts</u> | | |
| Bond sale | \$ <u>319,676</u> | <u>-</u> |
| <u>Expenditures</u> | | |
| Contractual services | \$ 31,021 | - |
| Capital outlay | <u>229</u> | <u>-</u> |
| Total expenditures | \$ <u>31,250</u> | <u>-</u> |
| Receipts over (under) expenditures | \$288,426 | - |
| Unencumbered Cash, Beginning | <u>-</u> | <u>-</u> |
| Unencumbered Cash, Ending | \$ <u>288,426</u> | <u><u>-</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The City of Elkhart is a municipal corporation governed by an elected seven member council. These financial statements present the City of Elkhart (the primary government). A component unit is defined as an entity legally separate from the City, which has a significant dependence on, or relationship with the City. Based upon the criteria used to evaluate potential component units, it was determined there were no component units to present with the primary government's financial statements.

Advisory Boards

The City Council is responsible for appointing members of the Board of Appeals and the Planning Commission. Neither board has any budgetary or disbursing authority. Their function is solely to advise the City Council and, therefore, is a part of the primary government.

Jointly Governed Organizations

The City, in conjunction with Jones, Taloga and Cimarron Townships, has created the Elkhart Cemetery District. The Elkhart Cemetery District's board consists of one representative from each of the participating entities.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City for the year of 2010:

Governmental Funds:

General Fund – to account for all unrestricted cash resources except those required to be accounted for in another fund.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental Funds (Continued):

Special Revenue Funds – to account for the proceeds of specific cash revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purpose.

Capital Project Funds – to account for cash resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

Debt Service Funds – to account for the accumulation of cash resources for, and the payment of, interest and principal on general long-term debt which are general obligations of the City.

Proprietary Funds:

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges - or where periodic determination of revenue earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds:

Agency Funds – to account for assets held by a governmental unit as a trustee or agent for others.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Other Accounting Policies

Cash and Time Deposits

These liquid assets are shown in aggregate. K.S.A. 12-1671 and 12-1672 allow these assets to be shown in aggregate. Deposits are carried at cost.

In accordance with K.S.A. 9-1402 and K.S.A. 12-1675, the City of Elkhart, Kansas deposited and/or invested all funds with the Colorado East Bank and Trust.

State statutes and local bond ordinances authorize the City to invest in obligations of the U. S. Treasury and certificates of deposit at local financial institutions.

Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are retired from the proceeds of the sale of general obligation bonds.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds.

In addition, encumbrances do constitute expenditures of a fund.

Unencumbered Cash Balance

The unencumbered cash balance is the unobligated resources of cash and time deposits of a fund.

Note 2: Budgetary Information and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such amendments for this year.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: Budgetary Information and Tax Cycle (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received, and expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, fiduciary type funds and non-operating enterprise funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

All budgets must be filed with the County Clerk by August 25th. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payments.

These taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by Morton County.

Taxes levied to finance the budget are made available to the City of Elkhart, Kansas after the first of the year and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed annually.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 3: Defined Benefit Pension Plan

The City of Elkhart, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009 and 6% for all employees hired after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar years 2008, 2009 and 2010 was 4.93%, 5.54% and 6.14%, respectively. The City of Elkhart, Kansas' contributions to KPERS for the years ending December 31, 2008, 2009 and 2010 were \$42,580, \$46,827 and \$50,702, respectively, equal to the statutory required contributions for each year.

Note 4: Transfers

| <u>From</u> | <u>To</u> | <u>Authority</u> | <u>Amount</u> |
|------------------------------------------------------|----------------------------------|------------------|---------------|
| Water Fund | Water Equipment Replacement Fund | KSA 12-825d | \$ 30,000 |
| Sewer Fund | Sewer Equipment Replacement Fund | KSA 12-825d | 6,000 |
| Revenue Fund for Sales Tax Revenue Bonds Series 1994 | Pool Repairs Project Fund | | 61,593 |
| Revenue Fund for Sales Tax Revenue Bonds Series 1994 | Sewer Capital Project Fund | | 41,221 |

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 5: Fund Balances – Designated for Subsequent Year's Budget

Actual cash carryover was not sufficient for the following funds:

| | <u>Actual</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u> | <u>Budgeted</u> <u>Unencumbered</u> <u>Cash</u> <u>Carryover</u> |
|----------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------|
| Sales Tax Revenue Fund | \$363,776 | \$460,000 |
| Water Equipment Replacement Fund | 76,065 | 150,000 |
| Special City Streets and Highways Fund | 176,056 | 210,000 |
| Special Park and Recreation Fund | 19,999 | 21,000 |

Note 6: Sick and Vacation Leave

All full-time regular employees are to accrue vacation leave as follows:

- 1 Full year of service – 10 Working days
- 10 Years of service – 15 Working days
- 15 Years of service – 20 Working days

Vacation leave is forfeited if not taken within the calendar year.

All full-time regular employees are to accrue sick leave one day for each month of service, not to exceed 90 days. No employee is to receive monetary remuneration for unused sick leave upon termination of their employment.

Note 7: Compliance with Kansas Statutes

Contrary to the provisions of K.S.A. 10-1117, the required encumbrance records were not maintained by the City Clerk.

Contrary to the provisions of K.S.A. 79-2934, the required unencumbered budget balance records were not maintained by the City Clerk.

No other statutory violations were noted during the audit.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 8: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City of Elkhart. The statute requires banks eligible to hold the City of Elkhart's funds have a main or branch bank in the county in which the City of Elkhart is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City of Elkhart has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City of Elkhart's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City of Elkhart has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – State statutes place no limit on the amount the City of Elkhart may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City of Elkhart's deposits may not be returned to it. State statutes require the City of Elkhart's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, the Federal Home Loan Bank of Topeka, or the UMB Bank of America, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City of Elkhart's carrying amount of deposits was \$2,797,890 and the bank balance was \$2,828,936. Of the bank balance, \$250,000 was covered by federal depository insurance, \$2,578,936 was collateralized with securities held by the pledging financial institutions' agents in the City of Elkhart's name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City of Elkhart will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 9: Deferred Compensation

The City of Elkhart offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation assets, which are funded currently with third party investment companies, are not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant. The City of Elkhart believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The following is a summary of activity for the year ended December 31, 2010:

| | |
|----------------------------|------------------|
| Beginning account value | \$ 74,490 |
| Contributions | 4,579 |
| Withdrawals | (2,376) |
| Change in investment value | <u>10,851</u> |
| Ending account balance | <u>\$ 87,544</u> |

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 10: Long-Term Debt

Changes in long-term debt for the City of Elkhart For the year ended December 31, 2010 were as follows:

| <u>Issue</u> | <u>Interest Rate</u> | <u>Date of Issue</u> | <u>Amount of Issue</u> | <u>Date of Final Maturity</u> | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Reductions/ Payments</u> | <u>Net Change</u> | <u>Balance End of Year</u> | <u>Interest Paid</u> |
|-----------------------------------|--------------------------|------------------------------|--------------------------------|---------------------------------------|------------------------------------------|------------------|---------------------------------|-----------------------|------------------------------------|--------------------------|
| General Obligation Bond Series | | | | | | | | | | |
| 2010B1 | 1%-3% | 7/23/10 | \$825,000 | 9/01/20 | \$ - | \$825,000 | \$ - | \$825,000 | \$825,000 | \$ - |
| Lease Purchase: | | | | | | | | | | |
| Street Sweeper | 5.254% | 7/19/06 | 117,815 | 7/19/11 | 51,634 | - | 25,156 | (25,156) | 26,478 | 2,713 |
| Water Generator | 4.9% | 3/06/09 | 37,100 | 3/06/12 | <u>27,149</u> | <u>-</u> | <u>8,620</u> | <u>(8,620)</u> | <u>18,529</u> | <u>1,330</u> |
| Total Long-Term Debt | | | | | <u>\$ 78,783</u> | <u>\$825,000</u> | <u>\$ 33,776</u> | <u>\$791,224</u> | <u>\$870,007</u> | <u>\$ 4,043</u> |

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016-2010</u> | <u>Total</u> |
|------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Principal: | | | | | | | |
| General obligation bond | \$ 65,000 | \$70,000 | \$75,000 | \$75,000 | \$80,000 | \$460,000 | \$825,000 |
| Lease purchase | <u>35,521</u> | <u>9,486</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>45,007</u> |
| Total principal | <u>\$100,521</u> | <u>\$79,486</u> | <u>\$75,000</u> | <u>\$75,000</u> | <u>\$80,000</u> | <u>\$460,000</u> | <u>\$870,007</u> |
| Interest: | | | | | | | |
| General obligation bond | \$ 18,756 | \$16,575 | \$15,788 | \$14,756 | \$13,538 | \$ 39,094 | \$118,507 |
| Lease purchase | <u>2,299</u> | <u>465</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,764</u> |
| Total interest | <u>\$ 21,055</u> | <u>\$17,040</u> | <u>\$15,788</u> | <u>\$14,756</u> | <u>\$13,538</u> | <u>\$ 39,094</u> | <u>\$121,271</u> |
| Total Principal and Interest | <u>\$121,576</u> | <u>\$96,526</u> | <u>\$90,788</u> | <u>\$89,756</u> | <u>\$93,538</u> | <u>\$499,094</u> | <u>\$991,278</u> |

CITY OF ELKHART, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 11: Capital Projects

| | <u>Expenditures</u> <u>to Date</u> | <u>Estimated</u> <u>Total</u> <u>Expenditures</u> |
|-----------------------------------|---------------------------------------|---------------------------------------------------------|
| Morton Street Improvement Project | \$ 20,150 | \$505,324 |
| Water System Project | <u>19,550</u> | <u>319,676</u> |
| | <u>\$ 39,700</u> | <u>\$825,000</u> |

To the City Council
City of Elkhart, Kansas

In planning and performing our audit of the financial statements of the City of Elkhart, Kansas, as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Elkhart, Kansas' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Elkhart's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elkhart's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

- 1) Contrary to the provisions of K.S.A. 10-117 and K.S.A. 79-2934, encumbrance and unencumbered cash records were not maintained.
- 2) The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

This communication is intended solely for the information and use of the management of the City of Elkhart, Kansas, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

May 25, 2011

To the City Council
City of Elkhart, Kansas

We have audited the financial statements of the City of Elkhart, Kansas For the year ended December 31, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 8, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Elkhart, Kansas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

To the City Council
City of Elkhart, Kansas

Page 2

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 25, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Elkhart, Kansas and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

May 25, 2011

May 31, 2011

City Clerk
City of Elkhart
PO Box 574
Elkhart, Kansas 67950

Dear City Clerk:

Please find enclosed 8 copies of the Audit Report prepared by our office for the City of Elkhart, Kansas for the year ended December 31, 2010. Distribution of copies is as follows:

- 1 – City Clerk's copy
- 7 – One (1) copy for each member of the governing body

We have distributed copies to the City Attorney and the Morton County Attorney and have e-mailed a copy to the Division of Accounts and Reports.

You will receive a reply from the Division of Accounts and Reports acknowledging the receipt of the report with a reminder that the \$150.00 filing fee may be transmitted via mail or credit card payment.

Should you have any questions regarding the above distributions, please contact our office.

Thank you,

Hay•Rice & Associates, Chartered

Encl.

May 31, 2011

Mr. William Graybill
City Attorney
450 Morton
Elkhart, KS 67950

Dear Mr. Graybill:

Please find enclosed your copy of the Audit Report, which our office has prepared for the City of Elkhart, Kansas for the year ended December 31, 2010.

Should you have any questions, please contact our office.

Thank you,

Hay•Rice & Associates, Chartered

Encl.

May 31, 2011

Mr. Eric Witcher
Morton County Attorney
450 Morton
Elkhart, KS 67950

Dear Mr. Witcher:

Please find enclosed your copy of the Audit Report, which our office has prepared for the City of Elkhart, Kansas for the year ended December 31, 2010.

Should you have any questions, please contact our office.

Thank you,

Hay•Rice & Associates, Chartered

Encl.